



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

February 15, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **TARZANA TREATMENT CENTER, INC. - A DEPARTMENT OF PUBLIC
HEALTH, DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AND DEPARTMENT OF MENTAL HEALTH SERVICES PROVIDER -
CONTRACT COMPLIANCE REVIEW**

We completed a review of Tarzana Treatment Center, Inc.'s (Tarzana or Agency) contracts with the County. At the time of our review, Tarzana had 19 contracts with three County departments, covering 23 different programs; 16 contracts with the Department of Public Health (DPH), totaling approximately \$4.8 million; one contract with the Department of Children and Family Services (DCFS), for approximately \$556,000; and two contracts with the Department of Mental Health (DMH), totaling approximately \$2.5 million.

Our review covered nine (40%) of the 23 programs operated by Tarzana. The nine programs account for approximately \$6 million (77%) of the \$7.8 million paid to Tarzana under its contracts. Specifically, our review included Tarzana's contracts with DPH Division of HIV and STD Programs (DHSP) for HIV/AIDS-related services; DCFS for Wraparound Approach Services (Wraparound) Program services to children and their families; and DMH for providing mental health services.

Tarzana provides services in the Third, Fourth, and Fifth Supervisorial Districts.

Results of Review

DHSP Program Review

Tarzana did not complete copayment assessments for 17 (49%) of the 35 clients reviewed.

After our review, Tarzana provided copayment assessments for seven of the 17 clients. This reduced the number of exceptions to ten (29%) of the 35 clients reviewed.

DMH Program Review

- Tarzana charged DMH \$3,594 in questioned costs.

Tarzana's response indicates that they will repay DMH \$3,594.

- Tarzana did not adequately describe the clients' symptoms and behaviors in 17 (38%) of the 45 DMH client Assessments reviewed.
- Tarzana did not adequately complete Client Care Plans for ten (22%) of the 45 clients reviewed.
- Tarzana did not adequately document the clients' or Agency staffs' efforts and/or accomplishments towards the clients' goals in any of the ten Progress Notes reviewed.

In their attached response, Tarzana indicated that they will provide training and quality assurance audits to ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with the County contract.

DHSP, DCFS, and DMH Fiscal Review

- Tarzana overstated their Cost Reports for DHSP's Residential Rehabilitation and Detoxification Programs by \$121,813 in direct costs, and \$235,075 in indirect costs, respectively.

After our review, Tarzana revised their Cost Reports, and eliminated the overstated direct and indirect costs by \$121,813 and \$235,075.

- Tarzana charged DMH, Wraparound, and DHSP Programs \$35,397 (\$25,287 + \$5,278 + \$224 + \$4,608) in unsupported rent expenditures.

In their attached response, Tarzana indicated that they will revise their Cost Reports to correct the unsupported rent expenditures if directed to do so by the Departments, and will include only allowable expenditures in calculating the shared program expenditure allocations.

- Tarzana's total expenditures reported on their DHSP Cost Report for the DPH Psychosocial cost-reimbursement contract exceeded their accounting records by \$3,057.

In their attached response, Tarzana agreed to repay DPH \$3,057.

DHSP, DCFS, and DMH Administrative Review

Tarzana did not obtain the required criminal record clearances for seven (54%) of 13 employees who worked on the DMH and Wraparound Programs.

After our review, Tarzana obtained criminal record clearances for all seven employees.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed the results of our review with Tarzana, DPH, DCFS, and DMH. Tarzana's attached response indicates that they agree with our findings and recommendations, including the questioned costs.

We thank Tarzana for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JS:DC:EB:yp

Attachment

c: William T. Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., Director, DPH
Philip Browning, Director, DCFS
Dr. Marvin J. Southard, Director, DMH
Scott Taylor, Chairman and President, Tarzana Treatment Center
Albert M. Senella, Chief Operating Officer, Tarzana Treatment Center
Public Information Office
Audit Committee

**TARZANA TREATMENT CENTER, INC.
DEPARTMENT OF PUBLIC HEALTH, MENTAL HEALTH, AND
WRAPAROUND PROGRAMS
FISCAL YEAR 2010-11**

ELIGIBILITY

Objective

Determine whether Tarzana Treatment Center, Inc. (Tarzana or Agency), provided services to individuals who met the eligibility requirements of the Department of Public Health's (DPH) Division of HIV and STD Programs (DHSP).

Verification

We reviewed the case files for 35 clients who received services from June 2009 to November 2010 for documentation to confirm their eligibility for DHSP services.

Results

Tarzana had adequate documentation to support all 35 clients' eligibility to receive DHSP services. However, Tarzana did not have an approved client fee determination system. Tarzana also did not conduct a copayment assessment, and/or collect fees as required by the Additional Provisions of the DHSP contract for 17 (49%) of the 35 clients reviewed. After our review, Tarzana provided copayment assessments for seven of the 17 clients.

Recommendations

Tarzana management:

- 1. Establish a client fee determination system, and ensure that it is reviewed and approved by DHSP.**
- 2. Ensure that copayment assessments are conducted for all clients, and fees are collected from all clients with the ability to pay.**

BILLED SERVICES

Objective

Determine whether Tarzana provided the services billed to the Department of Mental Health (DMH) in accordance with their contract.

Verification

We selected 29 billings, totaling 1,630 minutes, from 90,620 service minutes of approved Medi-Cal billings from May and June 2010. We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 1,630 minutes represent services to 45 clients.

Results

Tarzana charged DMH \$3,594 in questioned costs for the services reviewed. Specifically, Tarzana billed DMH:

- \$2,410 for Mental Health services that were not adequately documented. Tarzana staff did not adequately document the clients' mental health conditions, or adequately document what the treatment staff attempted and/or accomplished towards the clients' goals in the clients' files as required.
- \$727 in unsupported staff time. Tarzana billed DMH for multiple staff time, even though the clients' Progress Notes did not document each additional staff's code and contribution to the clients' mental health needs as required. According to Tarzana management, they billed DMH for the multiple staff present at the group sessions, and did not document each of the staffs' code or their individual contribution/assessment to the clients' mental health needs. According to Agency management, this practice has been in place since December 2006.
- Billed DMH \$458 in unsupported Targeted Case Management Services. Tarzana did not adequately document how the services related to the clients' goals, functional impairments, or problems in the clients' Progress Notes to support the Targeted Case Management Services provided.

In addition, Tarzana did not comply with all of the DMH contract requirements. Specifically, Tarzana did not adequately:

- Describe the clients' symptoms and behaviors, consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM), to support the given diagnosis in their Assessments for 17 (38%) of the 45 DMH clients reviewed. The DMH contract requires the Agency to follow DSM when diagnosing clients. DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders, and the criteria for diagnosing them.

- Complete the Client Care Plans for ten (22%) of the 45 clients reviewed in accordance with the DMH contract. The Client Care Plans did not identify specific goals as required.
- Document what the clients or treatment staff attempted and/or accomplished towards the clients' goals as required by the DMH contract in any of the ten Progress Notes reviewed.

Recommendations**Tarzana management:**

3. Repay DMH \$3,594.
4. Maintain adequate documentation to support services provided.
5. Work with DMH to determine the amount of unsupported multiple staff time billed for Mental Health group sessions that should be repaid to DMH.
6. Ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with the DMH contract.

STAFF QUALIFICATIONS**Objective**

Determine whether Tarzana's treatment staff had the qualifications required to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for ten Tarzana treatment staff who provided services to DMH clients during May and June 2010.

Results

All ten employees reviewed had the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed Tarzana's management, and reviewed their accounting records. We also reviewed the Agency's bank activity for November 2010.

Results

Tarzana deposited cash receipts timely, and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether Tarzana prepared its Cost Allocation Plan in compliance with the County contracts, and used the Plan to allocate shared expenses appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management, and reviewed 69 shared expenses, totaling \$163,080, to ensure that the expenses were allocated to the DHSP, Wraparound, and DMH Programs for Fiscal Years (FY) 2009-10 and FY 2010-11 appropriately.

Results

Tarzana charged the two DHSP fee-for-service Programs 41.1% for indirect costs, which exceeded the 10% indirect cost rate allowed in the two DHSP contracts. As a result, Tarzana overstated their Cost Reports for Residential Rehab and Detox Programs by \$121,813 in direct expenditures, and \$235,075 in indirect expenditures.

After our review, Tarzana reduced the direct and indirect expenditures by \$121,813, and \$235,075, respectively, in their revised Cost Reports for the Residential Rehab and Detox Programs.

Tarzana also charged the DHSP, Wraparound, and DMH Programs \$35,397 in unsupported rent. Specifically, Tarzana did not maintain adequate documentation to support the number of Full-Time Equivalent staff (FTE) used to calculate the allocation percentages. In addition, Tarzana allocated the prior years' utility expenses, totaling \$14,334, and property taxes for non-Program related facilities, totaling \$5,680, to the DMH, Wraparound, and DHSP Programs. As a result, Tarzana overstated the Programs' rent expense as follows:

	DMH (Cost Reimbursement)			WRAPAROUND (Fee-For-Service)			DHSP (Cost Reimbursement)		
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2008-09	FY 2009-10	FY 2010-11	FY 2008-09	FY 2009-10	FY 2010-11
18646 Oxnard	\$ 6,079	\$ 16,538	\$ 403						
18700 Oxnard			\$ 2,267		\$ 2,385	\$ 2,223			
7101 Bard St.								\$ 5,278	\$ 224
Total/Year	\$ 6,079	\$ 16,538	\$ 2,670	\$ -	\$ 2,385	\$ 2,223	\$ -	\$ 5,278	\$ 224
Total/Program		\$ 25,287			\$ 4,608			\$ 5,502	

Recommendations

Tarzana management:

7. Reduce DMH Cost Reports by a total of \$25,287, and submit the revised Cost Reports to DMH.
8. Repay DPH \$5,278 in unallowable FY 2009-10 DHSP expenditures, and revise DHSP's Case Management Psychosocial Program's accounting records for FY 2010-11, for the unallowable rent expense of \$224.
9. Reduce DCFS Wraparound Program expenditures in their accounting records by \$4,608, for the unallowable rent expense in FY 2009-2010 and FY 2010-2011.
10. Include only allowable expenditures in calculating the shared Program expenditure allocations.
11. Ensure that shared expenditures are allocated among the Agency's programs in accordance with their Cost Allocation Plan.

EXPENDITURES

Objective

Determine whether the expenditures charged to the Programs were allowable under the contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation to support 25 transactions billed to DHSP, Wraparound, and DMH Programs between September 2009 and November 2010, totaling \$40,783.

Results

Tarzana's expenditures were allowable under the contracts, documented properly and billed accurately.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were charged to DHSP, Wraparound, and DMH Programs appropriately. In addition, determine whether the Agency had personnel files as required.

Verification

We traced payroll expenditures, for 25 employees, totaling \$114,059, for November 2010 to the Agency's payroll records and time reports, and reviewed the employees' personnel files.

Results

Tarzana charged payroll expenditures appropriately to the DHSP, Wraparound, and DMH Programs. However, the Agency did not obtain required criminal record clearances for seven (54%) of 13 employees who worked on the DMH and Wraparound Program. After our review, Tarzana obtained criminal record clearances for all seven employees.

Recommendation

12. Tarzana management ensure that criminal clearances are obtained and filed for all staff working on the DMH and Wraparound Programs.

COST REPORTS**Objective**

Determine whether Tarzana's Cost Reports reconciled to the Agency's accounting records.

Verification

We traced the Agency's DMH Cost Report for the period ended June 2010, and DHSP Cost Reports for the periods ended February 2010, March 2010, and June 2010 to the Agency's general ledgers. We also reviewed a sample of DHSP, Wraparound, and DMH Program expenditures incurred from September 2009 through November 2010. It should be noted that the Wraparound Program does not require a Cost Report to be submitted to DCFS.

Results

Tarzana's total expenditures reported on their DMH Cost Report reconciled to the Agency's accounting records. However, Tarzana's total expenditures reported on their DHSP Cost Report for their Psychosocial cost-reimbursement contract exceeded their accounting records by \$3,057.

Recommendations

Tarzana management:

- 13. Repay DPH \$3,057.**
- 14. Ensure Cost Reports include actual costs incurred for the Programs, and are supported by the Agency's accounting records.**

CORPORATE OFFICERS

Scott Taylor
Chief Executive Officer
Board Chairman

Albert M. Senella
President
Chief Operating Officer

Babbi Sleam, Ph.D.
Vice President

Sylvia Cedeno
Secretary/Treasurer
Fiscal Officer



TARZANA TREATMENT CENTERS

Integrated Healthcare
Substance Use • Mental Health • Primary Care • HIV/AIDS
18646 Oxford Street, Tarzana, CA 91355 • (310) 996-1051 • (310) 345-3778 fax
www.TarzanaTC.org

July 29, 2011

Ms. Wendy L. Watanabe, Auditor- Controller
County of Los Angeles
Department of Auditor-Controller
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Watanabe:

We are responding to your findings in your report dated July XX, 2011, copy attached. This response supersedes the letter that was sent to your attention on July 25, 2011.

Recommendation 1

TTC management establish a client fee determination system, ensure that it is reviewed and approved by OAPP, and ensure implementation at all service locations, including at the subcontractors' facilities.

Response 1

TTC has previously submitted and received approval from OAPP on a sliding scale fee assessment tool. All staff involved with the OAPP programs in question, will be retrained on the tool, and to utilize on all patients and provide evidence in the patient record of same.

Recommendation 2

TTC management ensure that all service locations, including the subcontractors', conduct a copayment assessment on all clients and collect fee for service for those clients with the ability to pay.

Response 2

TTC management will advise and insure all subcontractors adhere to the requirement to use an approved ability to pay fee assessment tool.

SINCE 1972

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DETOXIFICATION • RESIDENTIAL • PREVENTION • WOMEN'S SERVICES • COMMUNITY EDUCATION • FAMILY MEDICAL CARE • MENTAL HEALTH
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Recommendation 3

TTC management repay DMH \$3,594.

Response 3

TTC management will repay DMH \$3,594, if required.

In addition, please also see comments under Item 6.

Recommendation 4

TTC management maintain adequate documentation to support the program expenditures.

Response 4

TTC believes that the reference to program expenditures should be program billing. TTC management agrees to maintain adequate documentation to support the program billing, although we do maintain adequate documentation to support program expenditures.

In addition, we wish to add the following comments:

The auditor sampled notes primarily written by one staff member rather than notes written by many staff members. That staff member wrote very few DMH progress notes and has been subsequently removed from writing these notes. Other providers wrote excellent notes, but these were not sampled, thus providing an unfair or incomplete picture of the facts.

Recommendation 5

TTC management work with DMH to determine the amount of unsupported multiple staff time billed during the Mental Health group sessions since December 2006 and repay DMH.

Response 5

TTC agrees to work with DMH to address this issue.

In addition, we wish to add the following comments:

The auditor wanted to see specific criteria in one section of the Initial Assessment, which often has very limited space in which to include all of the information. In addition, much

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of the information was included in other sections of the supplemental assessments, particularly for Substance Use Disorders. At the exit conference, which DMH representatives attended, it was acknowledged that the DMH forms and the auditor-controller's review criteria do not match, and that DMH and the Auditor-Controller's Office have set up meetings to make them more consistent with one another. Again as a provider we seem to be caught in the middle meeting what DMH looks for but not meeting what the auditors want. We don't feel we should be penalized for this and therefore disagree with any demand for repayment of funds.

This was primarily the result of one staff member, who didn't write many DMH progress notes, providing insufficient documentation. That person no longer writes DMH progress notes. This was primarily from one note, in which the staff member needed to accompany a patient to County-USC Hospital, and the patient did not know how to navigate the bus system, which required multiple bus changes, and did not have the ability to both wait for hours without leaving or go up to various windows and request needed services. The staff member was trained to better document why she had to accompany the patient in such instances using appropriate language. No time was billed for any travel, billing was only submitted for time spent with the patient at the hospital.

The auditor wanted to see specific criteria in one section of the Initial Assessment, which often has very limited space in which to include all of the information. In addition, much of the information was included in other sections of the supplemental assessments, particularly for Substance Use Disorders. At the exit conference, which DMH representatives attended, it was acknowledged that the DMH forms and the auditor-controller's review criteria do not match, and that DMH and the Auditor-Controller's Office have set up meetings to make them more consistent with one another. Again as a provider we seem to be caught in the middle meeting what DMH looks for but not meeting what the auditors want. We don't feel we should be penalized for this and do not agree with any demand for repayment of funds.

It should be noted that 78% of the charts were found to be in compliance. On those charts not in compliance, it was determined that this was a training issue. One finding was that the symptom descriptions had to be more behavioral in order to be measurable. Rather than stating that a patient was impulsive, the auditor wanted specific behavioral measures of impulsivity. Again guidelines between DHM and the auditor as inconsistent leaving TTC caught in the middle.

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Recommendation 6

TTC management ensures that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.

Response 6

TTC management will continue training and quality assurance audits to ensure that assessments, client care plans and progress notes are completed in accordance with the County contract.

In addition, we wish to add the following comments:

The auditor sampled notes primarily written by one staff member rather than notes written by many staff members. That staff member wrote very few DMH progress notes and has been subsequently removed from writing these notes. Other providers wrote excellent notes, but these were not sampled. TTC management is unaware of anyone stating this practice reverts back to 2006. The supervisor indicates this is recent only. Further since very few notes were ever written by this staff member, there appears to be little at stake. We disagree with any need to audit all the way back to 2006.

The auditor wanted to see specific criteria in one section of the Initial Assessment, which often has very limited space in which to include all of the information. In addition, much of the information was included in other sections of the supplemental assessments, particularly for Substance Use Disorders. At the exit conference, which DMH representatives attended, it was acknowledged that the DMH forms and the auditor-controller's review criteria do not match, and that DMH and the Auditor-Controller's office have set up meetings to make them more consistent with one another. As a provider TTC is caught in the middle. TTC believes we met the necessary DMH requirements. However it seems the auditor wants something different. We do not think we should be penalized for this obvious confusion with the two county departments. As a result we do not agree with the demand for repayment of funds.

- Describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the given diagnosis in their Assessments for 17 (38%) of the 45 DMH clients sampled.

It should be noted that 78% of the charts were found to be in compliance. On those charts not in compliance, it was determined that this was a training issue. One finding was that the symptom descriptions had to be more behavioral in order to be measureable. Rather than stating that a patient was impulsive, the auditor wanted specific behavioral measures of impulsivity. Again guidelines between DHM and the auditor are inconsistent leaving TTC caught in the middle.

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Comment regarding Cost Allocation Plan – Results for two OAPP fee-for-service programs

TTC is aware that the cost of providing the two OAPP fee-for-service programs, Residential Rehab and Detox services, exceeded the amount of reimbursement, and also that an inadvertent error was made when preparing the two cost reports. Specifically, allocated direct costs were based on an incorrect amount, and, to determine the total costs of the programs, TTC's federally approved indirect cost rate of 41.1 was used, instead of limiting actual costs to the OAPP maximum rate of 10%. We are well aware of the 10% administrative cap; however the full and real cost of the services can only be shown if we use our federally approved rate. This shows the actual and true cost of these services. It is important to understand using our federally approved rate does not change the cost to the County. The manner in which this report is drafted gives the false impression that it does. The inadvertent error in calculations and new cost reports using only the 10% cap were revised and resubmitted. However we think requiring us to withdraw the use of the federally approved rate in the cost reports is in error and inconsistent with cost reporting practices.

Recommendation 7

TTC management revise DMH Cost Reports for the three fiscal years for the unsupported rent expenditure allocations, totaling \$25,287 (\$6,079 + \$16,538 + \$2,670), and resubmit the revised Cost Reports to DMH.

Response 7

TTC will revise the DMH Cost Reports for FY 2008-2009 and FY 2009-2010, if directed to do so, however, TTC does not agree with L.A. County auditors calculations. The DMH Cost Report for FY 2010-11 is not due, and has not been filed, so it cannot be revised. It should be noted that the costs of this program exceeded the reimbursement by more than the disallowed rent, which will not result in an exchange of funds.

Recommendation 8

TTC management repay DPH OAPP's Cost Reimbursement Programs \$5,278 and revise OAPP's Case Management, Psychosocial Programs accounting record for FY 2010-11 for the unsupported rent expenditures allocations of \$224.

Response 8

TTC will revise repay DPH OAPP's Cost Reimbursement Programs, if directed to do so, and will adjust OAPP's Case Management, Psychosocial Programs accounting records for FY 2010-11.

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Recommendation 9

TTC management reduce DCFS Wraparound Program expenditures in accounting records totaling \$4,608 (\$2,385 + \$2,223) for the overstated expenditures in FY 2009-2010 and FY 2010-2011.

Response to 9

TTC management will reduce DCFS Wraparound Program expenditures in our accounting records, if directed to do so, for FY 2009-2010 and FY 2010-2011.

Comments regarding Rent Allocation

TTC allocates rent for eleven facilities, to approximately 150 programs. We believe that TTC rental calculations were proper and appropriate, and that changes are not required.

Regarding the auditors' findings;

1. TTC does maintain FTE schedules for all employees and for consultants.
2. TTC accounting records were adjusted in FY 2009-10, charging utility expenses, for a very old utility deposit in the amount of \$28,668 (\$14,334 is one-half of the amount). A portion of this amount was allocated to the DMH program in the TTC general ledger. It was not billed to this program.
3. As of September 30, 2009, circumstances changed for TTC because a Board member resigned. In accordance with County emails, our understanding is that L.A. County counsel concluded that TTC's main facility at 18646 Oxnard St., is no longer subject to less-than arms-length rental requirements. We are aware of the OMB language which indicates the contractor should review rental costs when circumstances change. TTC is bound by a current legally binding lease, which was based on an independent appraisal which clearly supported the market value. We have previously made clear, TTC will engage in a re-assessment of market value at the time the current lease becomes due. Circular A-122 does not mandate, but rather states, "should review when circumstances change". Any reasonable consideration of the particular circumstances associated with the current lease TTC holds makes clear the departure of a related party does not and will not impact market value. Additional consideration of the year in which the fair market value was established, coupled with the substantial facility expansion and other value renovations invested in by the owners, plus the unique and special use of the facility, also makes clear, any new assessment of market value, would only come in much higher than the current one used. There is just no way any new

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assessment can come in lower. To force TTC to conduct this review now, in order to use the current lease costs prior to the current lease expiration, will result in an exposure to much higher lease costs to TTC many years earlier than needed. The cost of an appraisal of a facility of this size is substantial. The owners of the property would have no motivation to renegotiate the current legally binding lease, unless it would bring them increased rental payments. Finally, regardless if TTC uses the lower of actual operating cost or actual fair market value, it does not alter the bottom line to the county. In either method, costs exceed the counties maximum obligation under the contracts in question. As you well know, the county is only obligated up to the maximum contract dollar amounts.

Recommendation 10

TTC management includes only allowable expenditures in calculating the shared Program expenditure allocations.

Response 10

We agree and strive to only include allowable expenditures in calculating the shared Program expenditure allocations.

Recommendation 11

TTC management ensures that shared expenditures are allocated to benefit Programs in accordance with the Agency's Cost Allocation Plan.

Response 11

We agree to ensure that shared expenditures are allocated to benefit Programs in accordance with the Agency's Cost Allocation Plan.

Recommendation 12

TTC management ensure that criminal clearances are obtained for all staff working on the DMH and Wraparound Programs and maintained on file.

Response to 12

TTC currently is in full compliance with this requirement and will continue to maintain the appropriate documentation on file.

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Recommendation 13

Repay DPH \$3,057.

Response to 13

An inadvertent error was made in reporting costs in the OAPP Cost Report for Psychosocial cost reimbursement contract. TTC agrees to repay DPH \$3,057.

TTC management agrees and intends to bill only allowable program related expenditures.

Recommendation 14

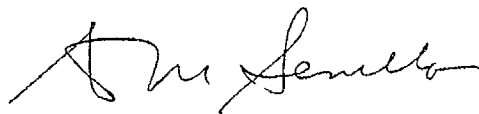
TTC management ensure Cost Reports report actual costs incurred for the Program and are supported by the Agency's accounting records.

Response to 14

TTC management agrees to ensure Cost Reports report actual costs incurred for the Program and are supported by the Agency's accounting records.

Thank you for your cooperation during the audit. Please feel free to contact me via e-mail at asenella@tarzanatc.org or by phone at 818-654-3815 should you have any questions.

Respectfully,



Albert M. Senella
President, Chief Operating Officer